



REPORT FOR ACTION

Amendment to Purchase Order Number 6047022 with Englobe Corp. for Material Testing and Quality Assurance Services for Various Capital Works Projects

Date: May 21, 2020

To: Toronto City Council

From: Chief Engineer and Executive Director, Engineering and Construction Services and Chief Purchasing Officer, Purchasing and Materials Management Division

Wards: All

SUMMARY

The purpose of this report is to request authority to amend Purchase Order No. 6047022 with Englobe Corp., for additional material testing and quality assurance services for various capital works projects in the amount of \$565,000 net of all taxes and charges (\$574,944 net of HST recoveries), revising the current contract value from \$690,766 net of all taxes and charges (\$702,923 net of HST recoveries) to \$1,255,766 net of all taxes and charges (\$1,277,867 net of HST recoveries).

RECOMMENDATIONS

The Chief Engineer and Executive Director of Engineering and Construction Service and the Chief Purchasing Officer recommend that:

1. City Council in accordance with Section 71-11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-Law), grant authority to amend Purchase Order No. 6047022 with Englobe Corp., for material testing and quality assurance services for various capital works projects by an additional amount of \$565,000 net of all taxes and charges (\$574,944 net of HST recoveries), revising the current contract value from \$690,766 net of all taxes and charges (\$702,923 net of HST recoveries) to \$1,255,766 net of all taxes and charges (\$1,277,867 net of HST recoveries).

FINANCIAL IMPACT

The Purchase Order Amendment request included in this report will increase the total contract value by \$565,000 net of all taxes (\$574,944 net of HST recoveries) for Purchase Order No. 6047022, revising the current contract value from \$690,766 net of all taxes and charges (\$702,923 net of HST recoveries) to \$1,255,766 net of all taxes and charges (\$1,277,867 net of HST recoveries).

Funding for the contract amendment is available in the 2019-2028 Approved Capital Budget and Plan for Toronto Water (Watermain Replacement) and 2019-2028 Approved Capital Budget and Plan for Transportation Services (Major Roads Rehabilitation) as summarized in Table 1 below (net of HST recoveries):

Table 1: Financial Impact Summary for Purchase Order No. 6047022

Year	2019
CPW545-02	\$330,720
CTP315-06-289	\$244,224
Total	\$574,944

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On May 30, 2018, by authority of the Bid Award Panel, Englobe Corp. was retained through Request for Quotation (RFQ) No. 9115-18-5032 for the supply of all labour, equipment and materials for material specification compliance tests and project quality assurance services for construction projects delivered by the Engineering and Construction Services Division west of Yonge Street for a period of one year between June 1, 2018 and May 31, 2019. Under the same RFQ, DS Consultants Ltd., was retained to provide the same services east of Yonge Street. The value of the award to Englobe Corp. was \$690,767 net of all taxes. A copy of the Bid Award Panel Decision Document can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.BA79.4>

COMMENTS

Background:

Material testing and quality assurance is vital to ensuring that the construction of new municipal infrastructure meets all City of Toronto standards and specifications which in

turn ensures the infrastructure operates in the intended manner, is safe for public use and will have the intended life span before major repairs or replacement are required. Due to the highly specialized nature of this work, contracted professional services assignments are used to provide material testing and quality assurance services for all projects that are designed and managed by Engineering and Construction Services (ECS) staff, as well as for some engineering consultant designed projects when warranted.

Englobe Corp., (Englobe) was retained to provide material testing and quality assurance services for ECS construction projects west of Yonge Street for the one-year period between June 1, 2018 and May 31, 2019. Englobe's fees were based on tendered unit prices for the fifty most common material tests and quality assurance services used, with estimated quantities for each test/service based on planned construction projects. Some variability was anticipated in the final quantities of the various tests/services as there are often changes in the planned capital works programs. These variations and any requirements for specialized testing would be covered by provisional items and through a contract contingency allowance.

Discussion:

In early 2019, ECS staff were developing a new, multi-year Request for Supplier Qualification (RFSQ) for the provision of material testing and quality assurance services for the period following May 31, 2019. At the same time, in response to the Provincial amendments to the Construction Act, a new consulting agreement template was being developed, which included new prompt payment requirements. It was determined that since the new assignments would have to comply with the amendments to the Construction Act, it was advantageous to delay tendering the RFSQ until the new consulting agreement template was available. This would also allow for the tender to proceed using the City's new Ariba digital tendering process. The new RFSQ process was expected to be completed before December 2019.

Several options were considered to maintain the service after May 31, 2019 and prior to the issuance of the new RFSQ, including issuing a short-term assignment to cover all active construction, issuing assignments to cover individual projects, or extending the existing assignment with Englobe. As of May 2019, approximately 50 percent of the value of Englobe's purchase order remained, although their billing was approximately two months behind and no over expenditure of the purchase order was anticipated. With the remaining assignment value available and considering that extending the existing assignment would best ensure continuity of the service, Englobe's Purchase order was amended to extend the validity date from May 31, 2019 to December 31, 2019. Similarly, the assignment for the area east of Yonge Street was also extended.

The new consultant agreement template prepared to respond to the changes in the Construction Act was ready in November 2019. The new RFSQ was subsequently issued in November 2019 and awarded in January 2020.

Testing demand levels increased significantly during the 2019 summer and fall construction period due to special testing requirements on internally-managed major road projects and on several consultant-managed programs, including local road

resurfacing, bridge rehabilitation, basement flooding protection and trunk sewers and transmission water mains. The tracking of requested testing and quality assurance services by ECS staff identified that the purchase order value would be exceeded by August 2019 and that a Purchase Order Amendment would be required within the delegated authority limit of the Chief Engineer. However, with actual billings several months behind the service delivery dates, billings did not exceed the purchase order value until fall 2019. Since the assignment for the area east of Yonge Street was similarly projected to exceed the purchase order value, although by a lower amount, there was no opportunity to reassign work between the two assignments.

In November 2019, once the timing of the new RFSQ was known, no new work was assigned to Englobe. Any urgent material testing and quality assurance services required prior to the execution of the new assignments were provided through small, construction project-specific assignments.

The final costs for all services provided under Englobe's assignment were determined in February 2020. The additional testing services provided during the extended period and to a larger number of capital construction projects than had been estimated at the time of tendering, resulted in significantly increased overall costs. The details of the original contract budget and actual costs for all services provided are presented in Table 2.

Table 2: Expenditures under Purchase Order No. 6047022 (net of taxes)

Base Budget	\$626,879
Provisional Allowances	\$16,875
Contingency Allowance	\$40,000
Total Expenditures	\$1,255,766
Purchase Order Amendment Value	\$565,000

The amendment to Purchase Order No. 6047022 with Englobe Corp., for additional material testing and quality assurance services on various capital works projects, is \$565,000 net of all taxes (\$574,944 net of HST recoveries), revising the current contract value from \$690,766 net of all taxes and charges (\$702,923 net of HST recoveries) to \$1,255,766 net of all taxes and charges (\$1,277,867 net of HST recoveries).

CONTACT

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SIGNATURE

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